FIA PTG
PRINCIPAL TRADERS GROUP

2001 K Street NW, Suite 725, Washington, DC 20006 | Tel +1 202.466.5460

March 23, 2022

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: File Number S7-32-10: Position Reporting of Large Security-Based Swap Positions

Dear Ms. Countryman:

The FIA Principal Traders Group ("FIA PTG")[1] appreciates the opportunity to submit this letter to the Securities and Exchange Commission ("SEC" or the "Commission") in response to the proposed rule regarding public attributed disclosure of "large" security-based swap positions (the "Proposal"). In light of the concerns raised below, FIA PTG urges the Commission to eliminate the public disclosure aspect of the Proposal and focus on regulatory reporting instead.

First, it is unclear whether Exchange Act Section 10B(d) contemplates a public disclosure regime. Whereas other Exchange Act sections clearly specify when public disclosure is to be implemented, the Commission has seemingly interpreted the absence of such express instruction from Congress here to also mean that public reporting should be implemented for the proposed large position reporting regime. We strongly disagree. We urge the Commission to eliminate the public reporting aspect of the Proposal, focus on analyzing the available data it already has at its disposal and, to the extent it believes more information is required by the official sector, to implement a regulatory-reporting regime for large positions.

Second, the cost-benefit analysis and economic justification in the Proposal are lacking. For example:

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[1] FIA PTG is an association of firms, many of whom are broker-dealers, who trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. The presence of competitive professional traders contributing to price discovery and the provision of liquidity is a hallmark of well-functioning markets. FIA PTG advocates for open access to markets, transparency and data-driven policy and has previously made recommendations about a variety of equity market structure issues, including Regulation NMS.

- The Commission failed to consider available swap data repository ("SDR") data to better inform its understanding of the security-based swap market. Instead, the Commission elected to solely consider a limited database of single-name credit default swap ("CDS") activity while asserting that CDS instruments represent the majority of the market. In fact, the SDR data shows the opposite to be true, with equity security-based swap trade counts of over 100,000 per day.

- The Commission failed to consider relevant academic research regarding the harms of publicly disclosing confidential trading positions, including, copycatting, front-running, and fewer incentives to engage in fundamental research.[2]

- The Commission provides no justification for requiring public reporting within one business day, which materially departs from other public disclosure regimes implemented by the Commission, such as 13F, 13(d), and 13(g). Under the Proposal, security-based swap market participants will have to perform complex analysis to determine not only if they have reportable positions, but also whether they have positions in any related product within one business day. It is unreasonable to expect this type of analysis to be completed in such a short timeframe and the Commission did not consider the incremental risks associated with such accelerated public disclosure.

- The Commission made no attempt to assess the cumulative impact of all its recent disclosure-related proposals, including with respect to securities lending, beneficial ownership reporting, and short position reporting. Since the Commission has elected to issue all these proposals together, we believe it should conduct this type of aggregate assessment which would allow it to better assess not only the disclosure-related burden, but the overall impact to market participant confidentiality and the risks to their proprietary intellectual property.

- The Commission made little attempt to consider more reasonable alternatives, such as enhancing security-based swap dealer risk management requirements and/or uncleared initial margin requirements. Both of these policy responses would more directly address the circumstances surrounding the recent Archegos default than the current Proposal.

The identified flaws above, in particular the Commission's failure to consider the available security-based swap data prior to issuing the Proposal, also results in arbitrarily-calibrated thresholds. We do not believe the proposed thresholds are supported by the data, highlighted by the fact that the Commission acknowledges that it did not consider any equity security-based swap data when designing the Proposal.

[2] *See*, *e.g.*, Shi, Z., 2016. The Impact of Portfolio Disclosure on Hedge Fund Performance, Parida, S., Teo, T., 2011. The Impact of More Frequent Portfolio Disclosure on Mutual Fund Performance, London School of Economics, Verbeek, M., Wang, Y., 2013. Better than the original? The relative success of copycat funds, Journal of Banking and Finance 37, 3454-3471.

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If you have any questions or need more information, please contact Joanna Mallers [redacted]).

Respectfully,

FIA Principal Traders Group

Joanna Mallers
Secretary

cc: Gary Gensler, Chair
Hester M. Peirce, Commissioner
Allison H. Lee, Commissioner
Caroline A. Crenshaw, Commissioner